

House Engrossed

State of Arizona  
House of Representatives  
Forty-fifth Legislature  
Second Regular Session  
2002

**VETO**

## **HOUSE BILL 2558**

AN ACT

AMENDING SECTIONS 38-783, 38-817, 38-857 AND 38-906, ARIZONA REVISED  
STATUTES; RELATING TO PUBLIC RETIREES' HEALTH INSURANCE SUBSIDIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-783, Arizona Revised Statutes, is amended to  
3 read:

4 38-783. Retired members; dependents; health insurance; premium  
5 payment; separate account; definitions

6 A. Subject to subsection J of this section, the board shall pay from  
7 ASRS assets part of the single coverage premium of any health and accident  
8 insurance for each retired or disabled member of ASRS if the member elects  
9 to participate in the coverage provided by ASRS or section 38-651.01 or  
10 elects to participate in a health and accident insurance program provided or  
11 administered by an employer or paid for, in whole or in part, by an employer  
12 to an insurer. The board shall pay:

13 1. Up to one hundred fifty dollars per month for a retired or disabled  
14 member of ASRS who is not eligible for medicare and who has ten or more years  
15 of credited service.

16 2. Up to one hundred dollars per month for each retired or disabled  
17 member of ASRS who is eligible for medicare and who has ten or more years of  
18 credited service.

19 B. Subject to subsection J of this section, the board shall pay from  
20 ASRS assets part of the family coverage premium of any health and accident  
21 insurance for a retired or disabled member of ASRS who elects family coverage  
22 and who otherwise qualifies for payment pursuant to subsection A of this  
23 section. Payment under this subsection is in the following amounts:

24 1. Up to two hundred sixty dollars per month if the retired or  
25 disabled member of ASRS and one or more dependents are not eligible for  
26 medicare.

27 2. Up to one hundred seventy dollars per month if the retired or  
28 disabled member of ASRS and one or more dependents are eligible for medicare.

29 3. Up to two hundred fifteen dollars per month if either:

30 (a) The retired or disabled member of ASRS is not eligible for  
31 medicare and one or more dependents are eligible for medicare.

32 (b) The retired or disabled member of ASRS is eligible for medicare  
33 and one or more dependents are not eligible for medicare.

34 C. In addition each retired or disabled member of ASRS with less than  
35 ten years of credited service and a dependent of such a retired or disabled  
36 member who elects to participate in the coverage provided by ASRS or section  
37 38-651.01 or who elects to participate in a health and accident INSURANCE  
38 program provided or administered by an employer or paid for, in whole or in  
39 part, by an employer to an insurer is entitled to receive a proportion of the  
40 full benefit prescribed by subsection A, or B, E OR F of this section  
41 according to the following schedule:

42 1. 9.0 to 9.9 years of credited service, ninety per cent.

43 2. 8.0 to 8.9 years of credited service, eighty per cent.

44 3. 7.0 to 7.9 years of credited service, seventy per cent.

45 4. 6.0 to 6.9 years of credited service, sixty per cent.

1           5. 5.0 to 5.9 years of credited service, fifty per cent.

2           6. Those with less than five years of credited service do not qualify  
3 for the benefit.

4           D. The board shall not pay more than the amount prescribed in this  
5 section for a retired or disabled member of ASRS.

6           E. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION A OF THIS  
7 SECTION, through June 30, 2003 2004, the board shall pay an insurance premium  
8 benefit for each retired or disabled member of ASRS who is eligible for a  
9 premium benefit payment pursuant to subsection A of this section and who  
10 lives in a nonservice area as follows:

11           1. Up to three hundred dollars per month for a retired or disabled  
12 member of ASRS who is not eligible for medicare and who has ten or more years  
13 of credited service.

14           2. Up to one hundred seventy dollars per month for a retired or  
15 disabled member of ASRS who is eligible for medicare and who has ten or more  
16 years of credited service.

17           F. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION B OF THIS  
18 SECTION, through June 30, 2003 2004, the board shall pay from ASRS assets  
19 part of the family coverage premium of any group health and accident  
20 insurance coverage for a retired or disabled member of ASRS who is eligible  
21 for a premium benefit payment pursuant to subsection B of this section and  
22 who lives in a nonservice area as follows:

23           1. Up to six hundred dollars per month if the retired or disabled  
24 member of ASRS and one or more dependents are not eligible for medicare AND  
25 THE RETIRED OR DISABLED MEMBER OF ASRS HAS TEN OR MORE YEARS OF CREDITED  
26 SERVICE.

27           2. Up to three hundred fifty dollars per month if the retired or  
28 disabled member of ASRS and one or more dependents are eligible for medicare  
29 AND THE RETIRED OR DISABLED MEMBER OF ASRS HAS TEN OR MORE YEARS OF CREDITED  
30 SERVICE.

31           3. IF THE RETIRED OR DISABLED MEMBER OF ASRS HAS TEN OR MORE YEARS OF  
32 CREDITED SERVICE, up to four hundred seventy dollars per month if either:

33           (a) The retired or disabled member of ASRS is not eligible for  
34 medicare and one or more dependents are eligible for medicare.

35           (b) The retired or disabled member of ASRS is eligible for medicare  
36 and one or more dependents are not eligible for medicare.

37           G. A retired or disabled member of ASRS who is enrolled in a managed  
38 care program in a nonservice area is not eligible for the payment prescribed  
39 in subsection E or F of this section if the member terminates coverage under  
40 the managed care program.

41           H. Through June 30, 2003 2004, a retired or disabled member of ASRS  
42 may elect to purchase individual health care coverage and receive a payment  
43 pursuant to this section through the retired or disabled member's employer  
44 if that employer assumes the administrative functions associated with the

1 payment, including verification that the payment is used to pay for health  
2 insurance coverage if the payment is made to the retired or disabled member.

3 I. The board shall establish a separate account that consists of the  
4 benefits provided by this section. The board shall not use or divert any  
5 part of the corpus or income of the account for any purpose other than the  
6 provision of benefits under this section unless the liabilities of ASRS to  
7 provide the benefits are satisfied. If the liabilities of ASRS to provide  
8 the benefits described in this section are satisfied, the board shall return  
9 any amount remaining in the account to the employer.

10 J. Payment of the benefits provided by this section is subject to the  
11 following conditions:

12 1. The payment of the benefits is subordinate to the payment of  
13 retirement benefits payable by ASRS.

14 2. The total of contributions for the benefits and actual  
15 contributions for life insurance protection, if any, shall not exceed  
16 twenty-five per cent of the total actual employer and employee contributions  
17 to ASRS, less contributions to fund past service credits, after the day the  
18 account is established.

19 3. The board shall deposit the benefits provided by this section in  
20 the account.

21 4. The contributions by the employer to the account shall be  
22 reasonable and ascertainable.

23 K. For the purposes of this section:

24 1. "Account" means the separate account established pursuant to  
25 subsection I of this section.

26 2. "Credited service" includes prior service.

27 3. "Nonservice area" means:

28 (a) THROUGH JUNE 30, 2002, an area in this state in which ASRS  
29 pursuant to section 38-782, the department of administration pursuant to  
30 section 38-651.01 or any employer does not provide or administer a health  
31 care services organization program, excluding any preferred provider  
32 organization program or individual health indemnity policy, for which the  
33 retired or disabled member of ASRS is eligible.

34 (b) BEGINNING ON JULY 1, 2002, A COUNTY IN THIS STATE WITH A  
35 POPULATION OF LESS THAN TWO HUNDRED THOUSAND PERSONS OR AN AREA OUTSIDE OF  
36 THIS STATE, EXCEPT THAT THE MEMBER IS NOT CONSIDERED TO BE IN A NONSERVICE  
37 AREA IF THE MEMBER RESIDES IN SUCH A COUNTY OR OUTSIDE OF THIS STATE AND THE  
38 MEMBER IS ELIGIBLE TO ENROLL IN A HEALTH MAINTENANCE ORGANIZATION THAT IS  
39 OFFERED BY EITHER ASRS PURSUANT TO SECTION 38-782, THE DEPARTMENT OF  
40 ADMINISTRATION PURSUANT TO SECTION 38-651.01 OR THE MEMBER'S EMPLOYER. FOR  
41 THE PURPOSES OF THIS SUBDIVISION, THE OPTIONS OFFERED PURSUANT TO SECTION  
42 38-782, SUBSECTION G AND SECTION 38-651.01, SUBSECTION I SHALL NOT BE USED  
43 TO DISQUALIFY A MEMBER FROM BEING CONSIDERED AS LIVING IN A NONSERVICE AREA.

1           4. "Prior service" means service for this state or a political  
2 subdivision of this state before membership in the defined contribution  
3 program administered by ASRS.

4           Sec. 2. Section 38-817, Arizona Revised Statutes, is amended to read:

5           38-817. Group health and accident coverage for retired members;  
6                     payment; definition

7           A. The fund manager shall pay from the assets of the fund part of the  
8 single coverage premium of any group health and accident insurance for each  
9 retired member or survivor of the elected officials' retirement plan who  
10 receives a pension if the retired member had eight or more years of credited  
11 service under the plan. In order to qualify for payment pursuant to this  
12 subsection, the retired member or survivor shall elect single coverage and  
13 must have elected to participate in the coverage provided in section  
14 38-651.01 or 38-782 or any other health and accident insurance coverage  
15 provided or administered by a participating employer of the elected  
16 officials' retirement plan. The fund manager shall pay up to:

17           1. One hundred fifty dollars per month for each retired member or  
18 survivor of the plan who is not eligible for medicare.

19           2. One hundred dollars per month for each retired member or survivor  
20 of the plan who is eligible for medicare.

21           B. The fund manager shall pay from the assets of the fund part of the  
22 family coverage premium of any group health and accident insurance each month  
23 for a benefit recipient who elects family coverage and who otherwise  
24 qualifies for payment pursuant to subsection A of this section. The fund  
25 manager shall pay up to:

26           1. Two hundred sixty dollars per month if the retired member or  
27 survivor of the plan and one or more dependents are not eligible for  
28 medicare.

29           2. One hundred seventy dollars per month if the retired member or  
30 survivor of the plan and one or more dependents are eligible for medicare.

31           3. Two hundred fifteen dollars per month if either:

32           (a) The retired member or survivor of the plan is not eligible for  
33 medicare and one or more dependents are eligible for medicare.

34           (b) The retired member or survivor of the plan is eligible for  
35 medicare and one or more dependents are not eligible for medicare.

36           C. Each retired member or survivor of the plan with less than eight  
37 years of credited service and a dependent of such a retired member or  
38 survivor who participates in the coverage provided by section 38-651.01 or  
39 38-782 or who participates in any other health and accident insurance  
40 coverage provided or administered by a participating employer of the plan is  
41 entitled to receive a proportion of the full benefit prescribed by subsection  
42 A, or B, E OR F of this section according to the following schedule:

43           1. 7.0 to 7.9 years of credited service, ninety per cent.

44           2. 6.0 to 6.9 years of credited service, seventy-five per cent.

45           3. 5.0 to 5.9 years of credited service, sixty per cent.

1        4. Those with less than five years of credited service do not qualify  
2 for the benefit.

3        D. The fund manager shall not pay more than the amount prescribed in  
4 this section for a benefit recipient as a member or survivor of the plan.

5        E. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION A OF THIS  
6 SECTION, through June 30, 2003 2004, the fund manager shall pay an insurance  
7 premium benefit for each retired member or survivor of the plan who is  
8 entitled to a premium benefit payment pursuant to subsection A of this  
9 section and who lives in a nonservice area as follows:

10        1. Up to three hundred dollars per month for a retired member or  
11 survivor of the plan who is not eligible for medicare and who has eight or  
12 more years of credited service.

13        2. Up to one hundred seventy dollars per month for a retired member  
14 or survivor of the plan who is eligible for medicare and who has eight or  
15 more years of credited service.

16        F. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION B OF THIS  
17 SECTION, through June 30, 2003 2004, the fund manager shall pay an insurance  
18 premium benefit for a retired member or survivor of the plan who is entitled  
19 to a premium benefit payment pursuant to subsection B of this section and who  
20 lives in a nonservice area as follows:

21        1. Up to six hundred dollars per month if the retired member or  
22 survivor of the plan and one or more dependents are not eligible for medicare  
23 AND THE RETIRED MEMBER OR SURVIVOR OF THE PLAN HAS EIGHT OR MORE YEARS OF  
24 CREDITED SERVICE.

25        2. Up to three hundred fifty dollars per month if the retired member  
26 or survivor of the plan and one or more dependents are eligible for medicare  
27 AND THE RETIRED MEMBER OR SURVIVOR OF THE PLAN HAS EIGHT OR MORE YEARS OF  
28 CREDITED SERVICE.

29        3. IF THE RETIRED MEMBER OR SURVIVOR OF THE PLAN HAS EIGHT OR MORE  
30 YEARS OF CREDITED SERVICE, up to four hundred seventy dollars per month if  
31 either:

32        (a) The retired member or survivor of the plan is not eligible for  
33 medicare and one or more dependents are eligible for medicare.

34        (b) The retired member or survivor of the plan is eligible for  
35 medicare and one or more dependents are not eligible for medicare.

36        G. A retired member or survivor of the plan who is enrolled in a  
37 managed care program in a nonservice area is not eligible for the payment  
38 prescribed in subsection E or F of this section if the member terminates  
39 coverage under the managed care program.

40        H. Through June 30, 2003 2004, a retired member or survivor of the  
41 plan may elect to purchase individual health care coverage and receive a  
42 payment pursuant to this section through the retired member's employer if  
43 that employer assumes the administrative functions associated with the  
44 payment, including verification that the payment is used to pay for health

1 insurance coverage if the payment is made to the retired member or survivor  
2 of the plan.

3 I. For the purposes of this section, "nonservice area" means:

4 1. THROUGH JUNE 30, 2002, an area in this state in which the Arizona  
5 state retirement system pursuant to section 38-782, the department of  
6 administration pursuant to section 38-651.01 or the member's or survivor's  
7 participating employer does not provide or administer a health care services  
8 organization program, excluding any preferred provider organization program  
9 or individual health indemnity policy, for which the retired member or  
10 survivor of the plan is eligible.

11 2. BEGINNING ON JULY 1, 2002, A COUNTY IN THIS STATE WITH A POPULATION  
12 OF LESS THAN TWO HUNDRED THOUSAND PERSONS OR AN AREA OUTSIDE OF THIS STATE,  
13 EXCEPT THAT THE MEMBER OR SURVIVOR IS NOT CONSIDERED TO BE IN A NONSERVICE  
14 AREA IF THE MEMBER OR SURVIVOR RESIDES IN SUCH A COUNTY OR OUTSIDE OF THIS  
15 STATE AND THE MEMBER OR SURVIVOR IS ELIGIBLE TO ENROLL IN A HEALTH  
16 MAINTENANCE ORGANIZATION THAT IS OFFERED BY EITHER THE ARIZONA STATE  
17 RETIREMENT SYSTEM PURSUANT TO SECTION 38-782, THE DEPARTMENT OF  
18 ADMINISTRATION PURSUANT TO SECTION 38-651.01 OR THE MEMBER'S OR SURVIVOR'S  
19 PARTICIPATING EMPLOYER. FOR THE PURPOSES OF THIS PARAGRAPH, THE OPTIONS  
20 OFFERED PURSUANT TO SECTION 38-782, SUBSECTION G AND SECTION 38-651.01,  
21 SUBSECTION I SHALL NOT BE USED TO DISQUALIFY A MEMBER OR SURVIVOR FROM BEING  
22 CONSIDERED AS LIVING IN A NONSERVICE AREA.

23 Sec. 3. Section 38-857, Arizona Revised Statutes, is amended to read:

24 38-857. Group health and accident coverage for retired members;  
25 payment; definition

26 A. The fund manager of the public safety personnel retirement system  
27 shall pay part of the single coverage premium of any group health and  
28 accident insurance for each retired member or survivor of the system who  
29 receives a pension and who has elected to participate in the coverage  
30 provided by section 38-651.01 or 38-782 or any other health and accident  
31 insurance coverage provided or administered by a participating employer of  
32 the system. The fund manager shall pay up to:

33 1. One hundred fifty dollars per month for each retired member or  
34 survivor of the system who is not eligible for medicare.

35 2. One hundred dollars per month for each retired member or survivor  
36 of the system who is eligible for medicare.

37 B. The fund manager of the system shall pay from assets of the fund  
38 part of the family coverage premium of any group health and accident  
39 insurance each month for a benefit recipient who elects family coverage and  
40 otherwise qualifies for payment pursuant to subsection A of this  
41 section. The fund manager shall pay up to:

42 1. Two hundred sixty dollars per month if the retired member or  
43 survivor of the system and one or more dependents are not eligible for  
44 medicare.

1           2. One hundred seventy dollars per month if the retired member or  
2 survivor of the system and one or more dependents are eligible for medicare.

3           3. Two hundred fifteen dollars per month if either:

4           (a) The retired member or survivor of the system is not eligible for  
5 medicare and one or more dependents are eligible for medicare.

6           (b) The retired member or survivor of the system is eligible for  
7 medicare and one or more dependents are not eligible for medicare.

8           C. The fund manager shall not pay from assets of the fund more than  
9 the amount prescribed in this section for a benefit recipient as a member or  
10 survivor of the system.

11          D. This section does not apply to a retired member or survivor of the  
12 system who is reemployed by this state or a political subdivision of this  
13 state and who participates in coverage provided by this state or a political  
14 subdivision of this state as an active employee.

15          E. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION A OF THIS  
16 SECTION, through June 30, 2003 2004, the fund manager shall pay an insurance  
17 premium benefit for each retired member or survivor of the system who is  
18 entitled to a premium benefit payment pursuant to subsection A of this  
19 section and who lives in a nonservice area as follows:

20           1. Up to three hundred dollars per month for a retired member or  
21 survivor of the system who is not eligible for medicare.

22           2. Up to one hundred seventy dollars per month for a retired member  
23 or survivor of the system who is eligible for medicare.

24          F. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION B OF THIS  
25 SECTION, through June 30, 2003 2004, the fund manager shall pay an insurance  
26 premium benefit for a retired member or survivor of the system who is  
27 entitled to a premium benefit payment pursuant to subsection B of this  
28 section and who lives in a nonservice area as follows:

29           1. Up to six hundred dollars per month if the retired member or  
30 survivor of the system and one or more dependents are not eligible for  
31 medicare.

32           2. Up to three hundred fifty dollars per month if the retired member  
33 or survivor of the system and one or more dependents are eligible for  
34 medicare.

35           3. Up to four hundred seventy dollars per month if either:

36           (a) The retired member or survivor of the system is not eligible for  
37 medicare and one or more dependents are eligible for medicare.

38           (b) The retired member or survivor of the system is eligible for  
39 medicare and one or more dependents are not eligible for medicare.

40          G. A retired member or survivor of the system who is enrolled in a  
41 managed care program in a nonservice area is not eligible for the payment  
42 prescribed in subsection E or F of this section if the member terminates  
43 coverage under the managed care program.

44          H. Through June 30, 2003 2004, a retired member or survivor of the  
45 system may elect to purchase individual health care coverage and receive a



1 payment pursuant to this section through the retired member's employer if  
2 that employer assumes the administrative functions associated with the  
3 payment, including verification that the payment is used to pay for health  
4 insurance coverage if the payment is made to the retired member or survivor  
5 of the system.

6 I. For the purposes of this section, "nonservice area" means:

7 1. THROUGH JUNE 30, 2002, an area in this state in which the Arizona  
8 state retirement system pursuant to section 38-782, the department of  
9 administration pursuant to section 38-651.01 or the member's or survivor's  
10 participating employer does not provide or administer a health care services  
11 organization program, excluding any preferred provider organization program  
12 or individual health indemnity policy, for which the retired member or  
13 survivor of the system is eligible.

14 2. BEGINNING ON JULY 1, 2002, A COUNTY IN THIS STATE WITH A POPULATION  
15 OF LESS THAN TWO HUNDRED THOUSAND PERSONS OR AN AREA OUTSIDE OF THIS STATE,  
16 EXCEPT THAT THE MEMBER OR SURVIVOR IS NOT CONSIDERED TO BE IN A NONSERVICE  
17 AREA IF THE MEMBER OR SURVIVOR RESIDES IN SUCH A COUNTY OR OUTSIDE OF THIS  
18 STATE AND THE MEMBER OR SURVIVOR IS ELIGIBLE TO ENROLL IN A HEALTH  
19 MAINTENANCE ORGANIZATION THAT IS OFFERED BY EITHER THE ARIZONA STATE  
20 RETIREMENT SYSTEM PURSUANT TO SECTION 38-782, THE DEPARTMENT OF  
21 ADMINISTRATION PURSUANT TO SECTION 38-651.01 OR THE MEMBER'S OR SURVIVOR'S  
22 PARTICIPATING EMPLOYER. FOR THE PURPOSES OF THIS PARAGRAPH, THE OPTIONS  
23 OFFERED PURSUANT TO SECTION 38-782, SUBSECTION G AND SECTION 38-651.01,  
24 SUBSECTION I SHALL NOT BE USED TO DISQUALIFY A MEMBER OR SURVIVOR FROM BEING  
25 CONSIDERED AS LIVING IN A NONSERVICE AREA.

26 Sec. 4. Section 38-906, Arizona Revised Statutes, is amended to read:

27 38-906. Group health and accident coverage for retired members;  
28 payment; definition

29 A. The fund manager shall pay from the assets of the fund part of the  
30 single coverage premium of any group health and accident insurance for each  
31 retired member or survivor of the plan who receives a pension and who has  
32 elected to participate in coverage provided by section 38-651.01 or 38-782  
33 or any other health and accident insurance coverage provided or administered  
34 by a participating employer in the plan. The fund manager shall pay up to:

35 1. One hundred fifty dollars per month for each retired member or  
36 survivor of the plan who is not eligible for medicare.

37 2. One hundred dollars per month for each retired member or survivor  
38 of the plan who is eligible for medicare.

39 B. The fund manager shall pay from the assets of the fund part of the  
40 family coverage premium of any group health and accident insurance for each  
41 retired member or survivor of the plan who elects family coverage and who  
42 otherwise qualifies for payment pursuant to subsection A of this section.  
43 Payment under this subsection is in the following amounts:

1           1. Up to two hundred sixty dollars per month if the retired member or  
2 survivor of the plan and one or more dependents are not eligible for  
3 medicare.

4           2. Up to one hundred seventy dollars per month if the retired member  
5 or survivor of the plan and one or more dependents are eligible for medicare.

6           3. Up to two hundred fifteen dollars if either:

7           (a) The retired member or survivor of the plan is not eligible for  
8 medicare and one or more dependents are eligible for medicare.

9           (b) The retired member or survivor of the plan is eligible for  
10 medicare and one or more dependents are not eligible for medicare.

11          C. The fund manager shall not pay more than the amount prescribed in  
12 this section for a benefit recipient as a member or survivor of the plan.

13          D. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION A OF THIS  
14 SECTION, through June 30, 2003 2004, the fund manager shall pay an insurance  
15 premium benefit for each retired member or survivor of the plan who is  
16 entitled to a premium benefit payment pursuant to subsection A of this  
17 section and who lives in a nonservice area as follows:

18           1. Up to three hundred dollars per month for a retired member or  
19 survivor of the plan who is not eligible for medicare.

20           2. Up to one hundred seventy dollars per month for a retired member  
21 or survivor of the plan who is eligible for medicare.

22          E. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION B OF THIS  
23 SECTION, through June 30, 2003 2004, the fund manager shall pay an insurance  
24 premium benefit for a retired member or survivor of the plan who is entitled  
25 to a premium benefit payment pursuant to subsection B of this section and who  
26 lives in a nonservice area as follows:

27           1. Up to six hundred dollars per month if the retired member or  
28 survivor of the plan and one or more dependents are not eligible for  
29 medicare.

30           2. Up to three hundred fifty dollars per month if the retired member  
31 or survivor of the plan and one or more dependents are eligible for medicare.

32           3. Up to four hundred seventy dollars per month if either:

33           (a) The retired member or survivor of the plan is not eligible for  
34 medicare and one or more dependents are eligible for medicare.

35           (b) The retired member or survivor of the plan is eligible for  
36 medicare and one or more dependents are not eligible for medicare.

37          F. A retired member or survivor of the plan who is enrolled in a  
38 managed care program in a nonservice area is not eligible for the payment  
39 prescribed in subsection D or E of this section if the member terminates  
40 coverage under the managed care program.

41          G. Through June 30, 2003 2004, a retired member or survivor of the  
42 plan may elect to purchase individual health care coverage and receive a  
43 payment pursuant to this section through the retired member's employer if  
44 that employer assumes the administrative functions associated with the  
45 payment, including verification that the payment is used to pay for health

1 insurance coverage if the payment is made to the retired member or survivor  
2 of the plan.

3 H. For the purposes of this section, "nonservice area" means:

4 1. THROUGH JUNE 30, 2002, an area in this state in which the Arizona  
5 state retirement system pursuant to section 38-782, the department of  
6 administration pursuant to section 38-651.01 or the member's or survivor's  
7 participating employer does not provide or administer a health care services  
8 organization program, excluding any preferred provider organization program  
9 or individual health indemnity policy, for which the retired member or  
10 survivor of the plan is eligible.

11 2. BEGINNING ON JULY 1, 2002, A COUNTY IN THIS STATE WITH A POPULATION  
12 OF LESS THAN TWO HUNDRED THOUSAND PERSONS OR AN AREA OUTSIDE OF THIS STATE,  
13 EXCEPT THAT THE MEMBER OR SURVIVOR IS NOT CONSIDERED TO BE IN A NONSERVICE  
14 AREA IF THE MEMBER OR SURVIVOR RESIDES IN SUCH A COUNTY OR OUTSIDE OF THIS  
15 STATE AND THE MEMBER OR SURVIVOR IS ELIGIBLE TO ENROLL IN A HEALTH  
16 MAINTENANCE ORGANIZATION THAT IS OFFERED BY EITHER THE ARIZONA STATE  
17 RETIREMENT SYSTEM PURSUANT TO SECTION 38-782, THE DEPARTMENT OF  
18 ADMINISTRATION PURSUANT TO SECTION 38-651.01 OR THE MEMBER'S OR SURVIVOR'S  
19 PARTICIPATING EMPLOYER. FOR THE PURPOSES OF THIS PARAGRAPH, THE OPTIONS  
20 OFFERED PURSUANT TO SECTION 38-782, SUBSECTION G AND SECTION 38-651.01,  
21 SUBSECTION I SHALL NOT BE USED TO DISQUALIFY A MEMBER OR SURVIVOR FROM BEING  
22 CONSIDERED AS LIVING IN A NONSERVICE AREA.

23 Sec. 5. Retroactivity

24 This act applies retroactively to from and after June 30, 2001.

Passed the House April 8, 2002,

by the following vote: 49 Ayes,

0 Nays, 11 Not Voting

[Signature]  
Speaker of the House

[Signature]  
Chief Clerk of the House

Passed the Senate May 20, 2002,

by the following vote: 19 Ayes,

6 Nays, 5 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

20 day of May, 2002

at 1:50 o'clock P M.

[Signature]  
Secretary to the Governor

Approved this \_\_\_\_\_ day of \_\_\_\_\_

VETO  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

H.B. 2558

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 4 day of June, 2002,

at 5:31 o'clock P M.

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Secretary of State